Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents shall be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR part 205, ''Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs.''

(6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation.

(c) Where the Federal Government guarantees or insures the repayment of money borrowed by the recipient, HUD, at its discretion, may require adequate bonding and insurance if the bonding and insurance requirements of the recipient are not deemed adequate to protect the interest of the Federal Government.

(d) HUD may require adequate fidelity bond coverage where the recipient lacks sufficient coverage to protect the Federal Government's interest.

(e) Where bonds are required in the situations described above, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR part 223, ''Surety Companies Doing Business with the United States.''

§ 84.22 Payment.

(a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

(b) Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain:

(1) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient; and

(2) Financial management systems that meet the standards for fund control and accountability as established in § 84.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

(c) Whenever possible, advances shall be consolidated to cover anticipated cash needs for all awards made by HUD to the recipient.

(1) Advance payment mechanisms include, but are not limited to, Treasury check and electronic funds transfer.

(2) Advance payment mechanisms are subject to 31 CFR part 205.

(3) Recipients shall be authorized to submit requests for advances and reimbursements at least monthly when electronic fund transfers are not used.

(d) Requests for Treasury check advance payments shall be submitted through electronic means determined by the authorizing HUD program, or on forms as may be authorized by OMB. This form is not to be used when Treasury check advance payments are made to the recipient automatically through the use of a predetermined payment schedule or if precluded by special HUD instructions for electronic funds transfer.

(e) Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. HUD may also use this method on any construction agreement, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal assistance constitutes a minor portion of the project.

(1) When the reimbursement method is used, HUD shall make payment within 30 days after receipt of the billing, unless the billing is improper.

(2) Recipients shall be authorized to submit request for reimbursement at least monthly when electronic funds transfers are not used.

(f) If a recipient cannot meet the criteria for advance payments and HUD has determined that reimbursement is not feasible because the recipient lacks sufficient working capital, HUD may provide cash on a working capital advance basis. Under this procedure, HUD shall advance cash to the recipient to cover its estimated disbursement needs for an initial period generally geared to the awardee's disbursing cycle. Thereafter, HUD shall reimburse the recipient for its actual cash disbursements. The working capital advance method of payment shall not be used for recipients unwilling or unable to provide timely advances to their subrecipient to meet the subrecipient's actual cash disbursements.

(g) To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

(h) Unless otherwise required by statute, HUD shall not withhold payments for proper charges made by recipients at any time during the project period unless paragraphs (h)(1) or (h)(2) of this section apply.

(1) A recipient has failed to comply with the project objectives, the terms and conditions of the award, or Federal reporting requirements.

(2) The recipient or subrecipient is delinquent in a debt to the United States as defined in OMB Circular A–129, "Managing Federal Credit Programs." Under such conditions, HUD may, upon reasonable notice, inform the recipient that payments shall not be made for obligations incurred after a specified date until the conditions are corrected or the indebtedness to the Federal Government is liquidated.

(i) Standards governing the use of banks and other institutions as depositories of funds advanced under awards are as follows.

(1) Except for situations described in paragraph (i)(2) of this section, HUD shall not require separate depository accounts for funds provided to a recipient or establish any eligibility requirements for depositories for funds provided to a recipient. However, recipients must be able to account for the receipt, obligation and expenditure of funds.

(2) Advances of Federal funds shall be deposited and maintained in insured accounts whenever possible.

(j) Consistent with the national goal of expanding the opportunities for women-owned and minority-owned business enterprises, recipients shall be encouraged to use women- owned and minority-owned banks (a bank which is owned at least 50 percent by women or minority group members).

(k) Recipients shall maintain advances of Federal funds in interest bearing accounts, unless paragraphs (k)(1), (k)(2), or (k)(3) of this section apply.

(1) The recipient receives less than $120,000 in Federal awards per year.

(2) The best reasonably available interest bearing account would not be expected to earn interest in excess of $250 per year on Federal cash balances.

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(1) For those entities where CMIA and its implementing regulations do not apply, interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. In keeping with Electronic Funds Transfer rules (31 CFR part 206), interest should be remitted to the HHS Payment Management System through an electronic medium such as the FEDWIRE Deposit system. Recipients which do not have this capability should use a check. Interest amounts up to $250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains

to interest. If an entity subject to
CMIA uses its own funds to pay pre-
award costs for discretionary awards
without prior written approval from
the Federal awarding agency, it waives
its right to recover the interest under
CMIA.

[59 FR 47011, Sept. 13, 1994, as amended at 75
FR 41089, July 15, 2010]

§ 84.23 Cost sharing or matching.

(a) All contributions, including cash
and third party in-kind, shall be ac-
cepted as part of the recipient's cost
sharing or matching when such con-
tributions meet all of the following cri-
teria.

(1) Are verifiable from the recipient's
records.

(2) Are not included as contributions
for any other federally-assisted project
or program.

(3) Are necessary and reasonable for
proper and efficient accomplishment of
project or program objectives.

(4) Are allowable under the applica-
ble cost principles.

(5) Are not paid by the Federal Gov-
ernment under another award, except
where authorized by Federal statute to
be used for cost sharing or matching.

(6) Are provided for in the approved
budget when required by HUD.

(7) Conform to other provisions of
this part, as applicable.

(b) Unrecovered indirect costs may be
included as part of cost sharing or
matching only with the prior approval
of HUD.

(c) Values for recipient contributions
of services and property shall be estab-
lished in accordance with the applica-
ble cost principles. If HUD authorizes
recipients to donate buildings or land
for construction/facilities acquisition
projects or long-term use, the value of
the donated property for cost sharing
or matching shall be the lesser of para-
graphs (c)(1) or (c)(2) of this section.

(1) The certified value of the remain-
ing life of the property recorded in the
recipient's accounting records at the
time of donation.

(2) *The current fair market value.* How-
ever, when there is sufficient justifica-
tion, HUD may approve the use of the
current fair market value of the do-
nated property, even if it exceeds the

certified value at the time of donation
to the project.

(d) Volunteer services furnished by
professional and technical personnel,
consultants, and other skilled and un-
skilled labor may be counted as cost
sharing or matching if the service is an
integral and necessary part of an ap-
proved project or program. Rates for
volunteer services shall be consistent
with those paid for similar work in the
recipient's organization. In those in-
stances in which the required skills are
not found in the recipient organization,
rates shall be consistent with those
paid for similar work in the labor mar-
ket in which the recipient competes for
the kind of services involved. In either
case, paid fringe benefits that are rea-
sonable, allowable, and allocable may
be included in the valuation.

(e) When an employer other than the
recipient furnishes the services of an
employee, these services shall be val-
ued at the employee's regular rate of
pay (plus an amount of fringe benefits
that are reasonable, allowable, and al-
locable, but exclusive of overhead
costs), provided these services are in
the same skill for which the employee
is normally paid.

(f) Donated supplies may include
such items as expendable equipment,
office supplies, laboratory supplies or
workshop and classroom supplies.
Value assessed to donated supplies in-
cluded in the cost sharing or matching
share shall be reasonable and shall not
exceed the fair market value of the
property at the time of the donation.

(g) The method used for determining
cost sharing or matching for donated
equipment, buildings and land for
which title passes to the recipient may
differ according to the purpose of the
award, if paragraphs (g)(1) or (g)(2) of
this section apply.

(1) If the purpose of the award is to
assist the recipient in the acquisition
of equipment, buildings or land, the
total value of the donated property
may be claimed as cost sharing or
matching.

(2) If the purpose of the award is to
support activities that require the use
of equipment, buildings or land, nor-
mally only depreciation or use charges
for equipment and buildings may be